



SHANGHAI ELECTRIC GROUP COMPANY LIMITED

上海電氣集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 2727)

DIVIDEND POLICY

Background

As stated in the Company's prospectus dated 18 April 2005, the Company expects to distribute dividends of between 20% to 30% of the Group's net profits for the years commencing on or after 1 January, 2005. In line with such dividend policy, the Board proposed on 25 April 2006 a final dividend of RMB4.1 cents per share of the Company, representing approximately 27% of the Group's net profit for the year ending 31 December 2005.

On 18 August 2006, the Board announced the interim results for 2006. In particular, it was highlighted in the interim results announcement dated 18 August 2006 that the revenue for the Group for the first half of 2006 was RMB21,195 million, representing an increase of 29.6% over the corresponding period in 2005, and that the profit of the Group attributable to equity holders of the parent for the first half of 2006 was RMB1,173 million, representing an increase of 42.0% over the corresponding period in 2005. In order to enhance shareholders' return, and having considered the strong performance of the Group during the first half of 2006 as well as the expected future growth of the Group, the Board is pleased to announce the following new dividends policy.

New Dividend Policy

On 24 August 2006, the Board approved a new dividend policy for the financial year 2006, pursuant to which the Board would recommend the payment to the Shareholders a dividend of between 35% to 45% of the Group's net profit for the year ending 31 December 2006. Any such payment would be subject to the approval of shareholders at the Company's annual general meeting in respect of the financial year 2006.

As at the date of this Announcement, the executive Directors of the Company are, Mr. CHEN Longxing, Mr. HUANG Dinan, Mr. WANG Qiang, Ms. LI Manping, Mr. YU Yingui, the non-executive Directors of the Company are Mr. ZHU Kelin, Mr. YAO Qun, Mr. Lin Haitao, Mr. WANG Minwen, Mr. LI Songjian and the independent non-executive Directors of the Company are Dr. YAO Fusheng, Dr. CHEUNG Wai Bun and Mr. LEI Huai Chin.

DEFINITIONS

"Board"	the board of directors of the Company
"Company"	Shanghai Electric Group Company Limited, a joint stock company with limited liability incorporated in the PRC and whose H shares are listed on the Stock Exchange
"Group"	the Company and its subsidiaries
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

By Order of the Board
Shanghai Electric Group Company Limited
Huang Dinan
Executive Director and President

Shanghai, the PRC, 24 August 2006

"Please also refer to the published version of this announcement in South China Morning Post."